

## Message Text

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12  
ACTION EUR-12

INFO OCT-01 ISO-00 SS-15 SP-02 PM-04 INR-07 L-03 EB-07

/051 W

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P 281718Z JUL 76

FM AMEMBASSY BERN

TO SECSTATE WASHDC PRIORITY 2953

C O N F I D E N T I A L BERN 3369

STADIS//////////

FOR ASSISTANT SECRETARY HARTMAN

EO 11652: GDS

TAGS: PFOR SZ

SUBJ: SWISS F-5 AIRCRAFT OFFSET AGREEMENT

1. EMBASSY UNDERSTANDS THAT SWISS AMBASSADOR PROBST HAS APPOINTMENT JULY 29 WITH SEC DEF RUMSFELD TO DISCUSS OFFSET. I WANTED TO ALERT YOU TO POSSIBILITY THAT PROBST MAY RAISE RELATED SUBJECT THAT COULD BECOME IRRITANT IN RELATIONS WITH SWISS, SINCE IT INVOLVES DIFFERING PERCEPTIONS OF OBLIGATIONS UNDER F-5 CONTRACT AND MEMORANDUM OF UNDERSTANDING (MOU).

2. SWISS ACCEPTED 4 PERCENT QUOTE SPECIAL PROFIT CONSIDERATION UNQUOTE. QUESTION IS WHETHER ADMINISTRATIVE COSTS INVOLVED IN OFFSET ARE COVERED BY THIS AGREED ADD-ON FOUR PERCENT, OR WHETHER THEY ARE SEPARATE ITEM AND MUST BE PAID BY SWISS AS SUCH. APPARENTLY DOD CONTRACT OFFICERS HOLD LATTER VIEW AND SAY IT IS REQUIRED BY LAW. SWISS PERCEPTION MAY BE, HOWEVER, THAT WE ARE REVERSING EARLIER UNDERSTANDING THAT COSTS OF ADMINISTERING OFFSET WOULD BE PART OF FOUR PERCENT.

3. I HAVE SEEN COPY OF A LETTER DATED MAY 29, 1975 FROM LIEUTENANT GENERAL FISH OF ISA TO SWISS DEFENSE DEPT. OFFICIAL LYOTH WHICH CHARACTERIZES EFFORTS BY GE AND NORTHROP QUOTE TO PUT TOGETHER AN ACCEPTABLE OFFSET  
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PACKAGE UNQUOTE AS PART OF THEIR QUOTE OUTSTANDING SALES

EFFORTS UNQUOTE JUSTIFYING THE 4 PERCENT SPECIAL PROFIT  
CONSIDERATION. LETTER CONTINUES QUOTE IN THIS REGARD,  
BOTH COMPANIES HAVE ASSIGNED EXECUTIVE PERSONNEL TO THE  
JOB OF SEEKING OUT AND STIMULATING OPPORTUNITIES FOR  
SWISS COMPETITIVE PROCUREMENT BOTH WITHIN AND OUTSIDE  
THE F-5 PROGRAM. UNQUOTE. I HAVE ALSO SEEN A LETTER DATED  
AUGUST 29, 1975 FROM NORTHROP VICE PRESIDENT WELKO GASICH  
TO GROSSENBACHER OF SWISS DEFENSE DEPT WHICH,  
AFTER LISTING FOUR JUSTIFICATIONS FOR THE 4 PERCENT SPECIAL  
PROFIT SAYS QUOTE IN ADDITION TO THE ABOVE, NORTHROP  
HAS ASSUMED A MAJOR ROLE IN THE SWISS OFFSET EFFORTS IN  
THE U.S. UNQUOTE.

4. OUR FILES ARE SKETCHY ON THIS ASPECT OF F-5 QUESTION,  
AND MAY NOT REFLECT CLARIFICATIONS GIVEN SWISS IN THE  
INTERIM. I DID WANT YOU TO BE AWARE OF A POSSIBLE PROBLEM  
AS YOU PREPARE FOR RUMSFELD-PROBST MEETING.  
DAVIS

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## Message Attributes

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